

# Commercial Industry: A Valued Supplier in the U.S. Defense Marketplace

Presented To  
Eighth  
International Conference  
on Public Procurement  
1997

Mr. Daniel Porter  
U.S. Navy Acquisition Reform Executive  
20 May 1997

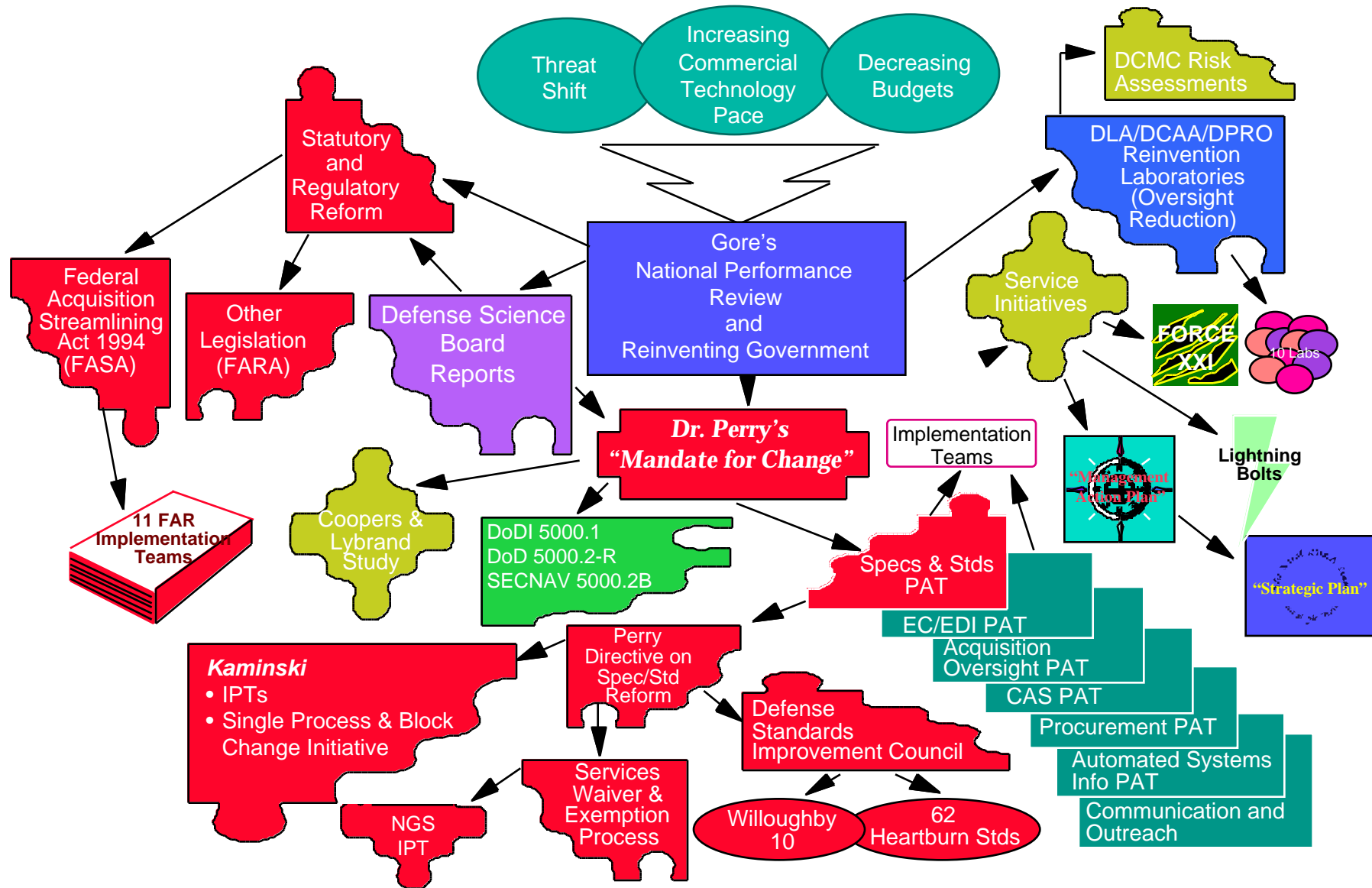


# Why Acquisition Reform?

- The Threat has changed
- The Budget has changed
- Technology has changed
- Business has changed
- The Political Will has changed



# Acquisition Reform - A Change Management Feat!



"Set realistic goals, put capable people in charge, and leave them alone so they can do their jobs."

Norm Augustine

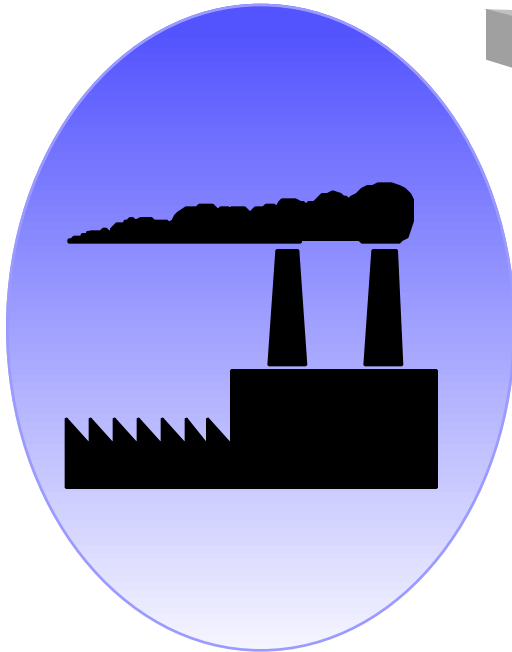


## Commercial Industrial Base

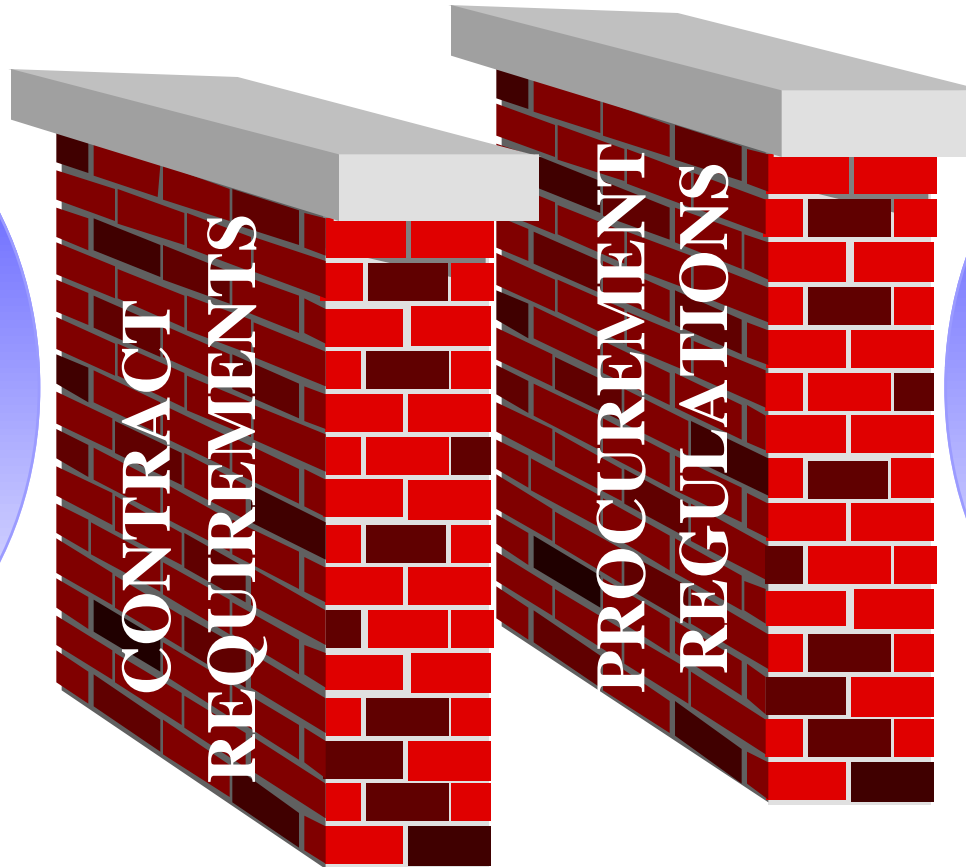
- Primary source of state-of-the-art technology
- Commercial products enable:
  - Earlier fielding of warfighting capability
  - Reduced acquisition and life cycle costs



# Defense Acquisition



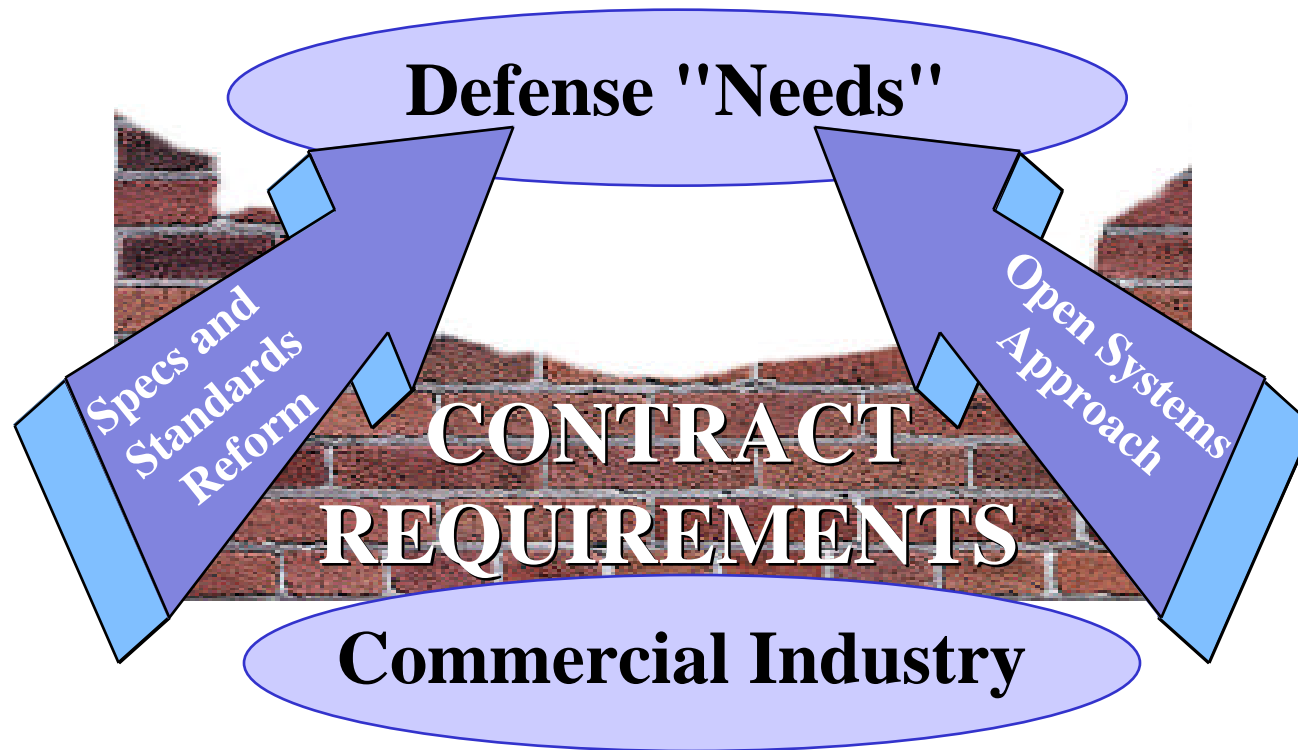
**Commercial  
Industry**



**Defense "Needs"**



# Acquisition Reform





# Specifications and Standards Reform



DoN Acquisition

Accomplish Military  
Specifications and  
Standards Improvement

Implement Performance  
Based Solicitation Process  
on ACAT Programs

Facilitate Cultural Change

Single Process Initiative

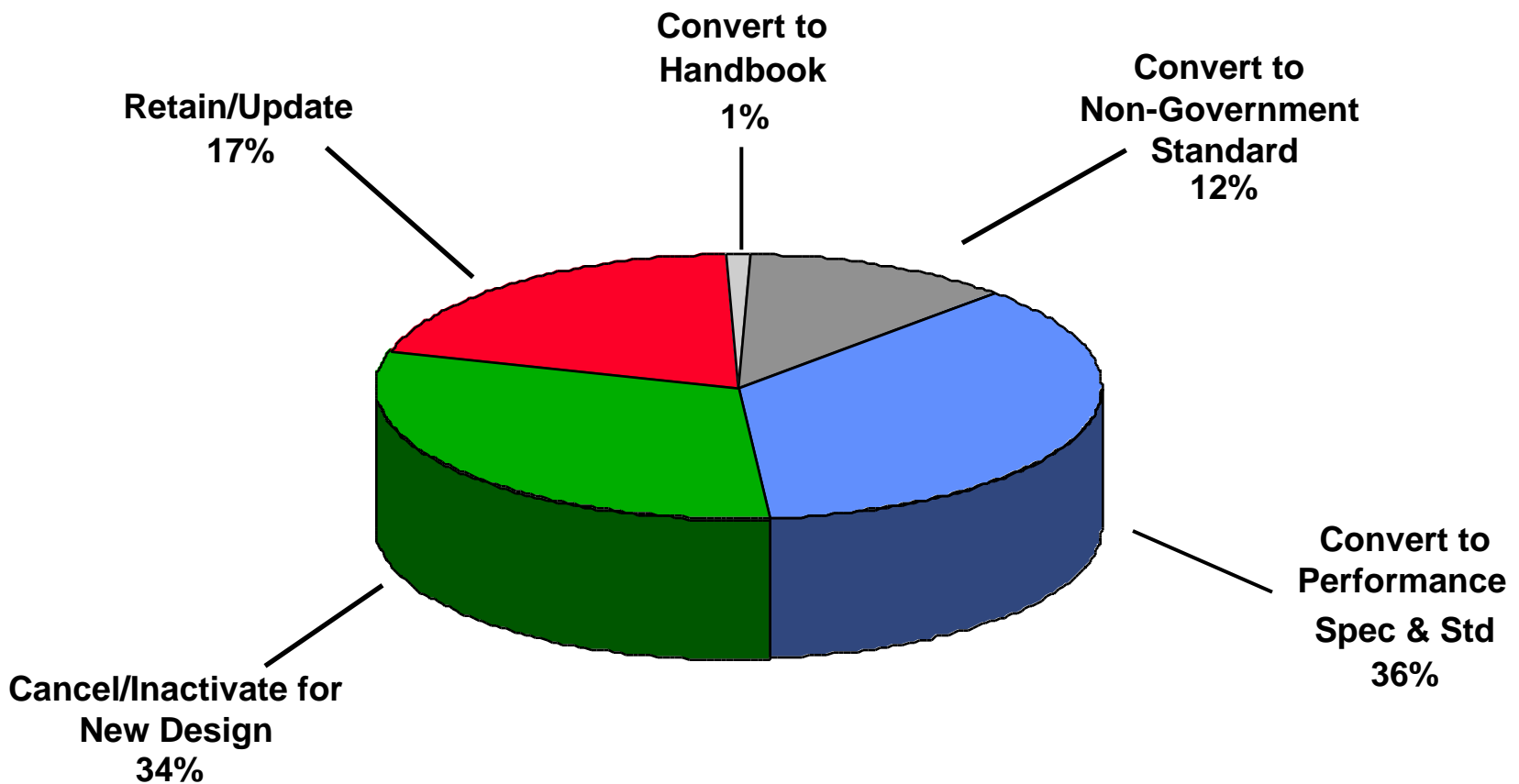
**COMMERCIAL  
STATE-OF-THE-ART  
TECHNOLOGY**

**INDUSTRY-WIDE  
BEST PRACTICES**

**COMMERCIAL  
MARKET PLACE**



# Specifications and Standards Results of Baseline Review



8,568 Military Specifications and Standards Reviewed



# TURBO STREAMLINER

Streamliner is a tool for evaluating RFPs for compliance with acquisition reform principles. This tool is on the Internet under the ARO Home Page. Review topics will be updated and expanded based on SYSCOM and field activity experience.



- Provides general RFP review guidelines
  - Lessons Learned
  - Review Checklist
  - Reporting Metrics
  - Application of AR Principles

- 50-Plus review topics or functional areas

Each topic discusses:

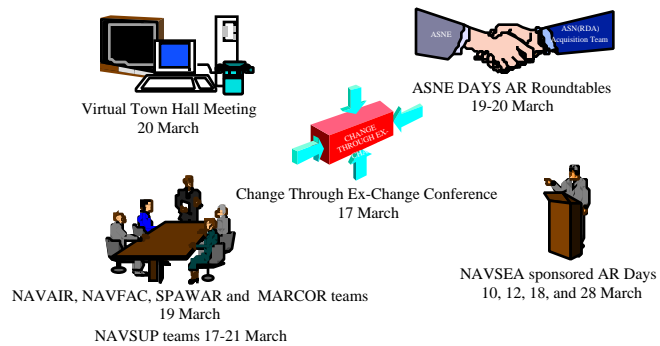
- Acquisition Reform Principles
- What to Look For
- What to Look Out For
- Sample Language
- References and Websites for further information





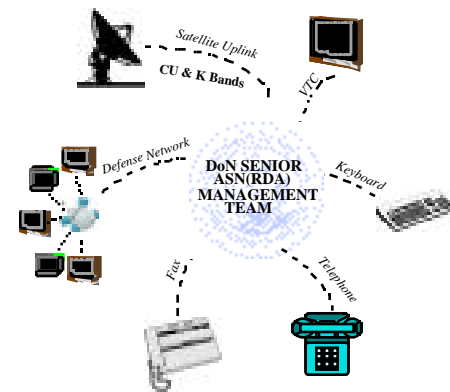
# Facilitate Cultural Change

## Acquisition Reform Day

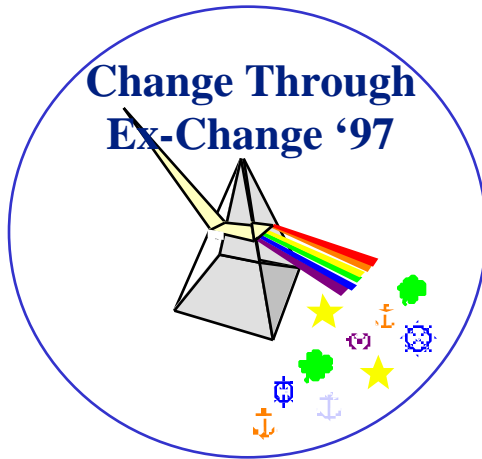


45,000 participants

## Virtual Town Hall Meeting Thursday, 20 March 1997

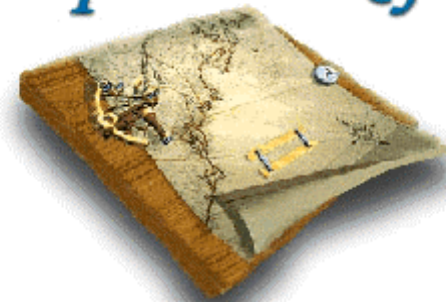


## Change Through Ex-Change '97



250 participants

## Navy Acquisition Reform...

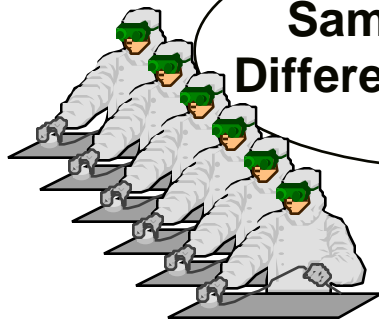
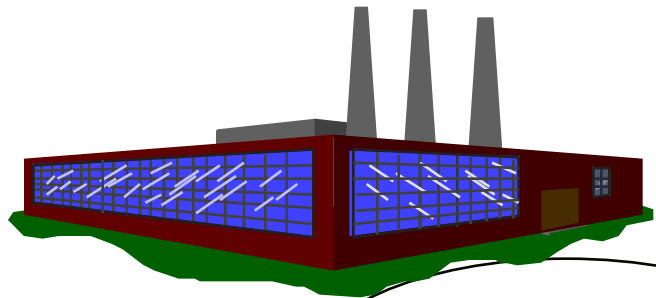


...Charting a New Course

89,000 hits per week

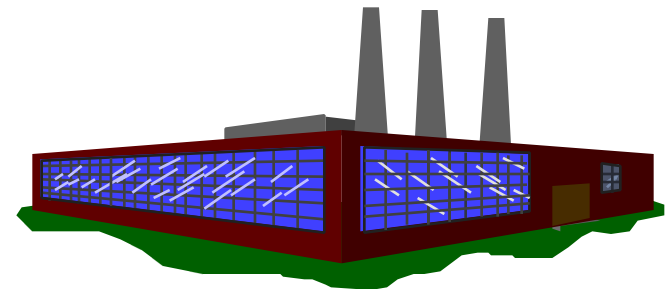
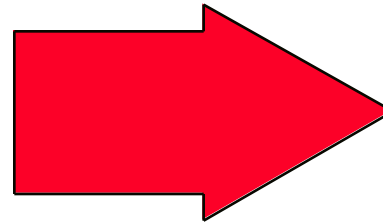


# Single Process Initiative



**Same Function  
Different Processes**

**Existing DoD + Existing  
Commercial**



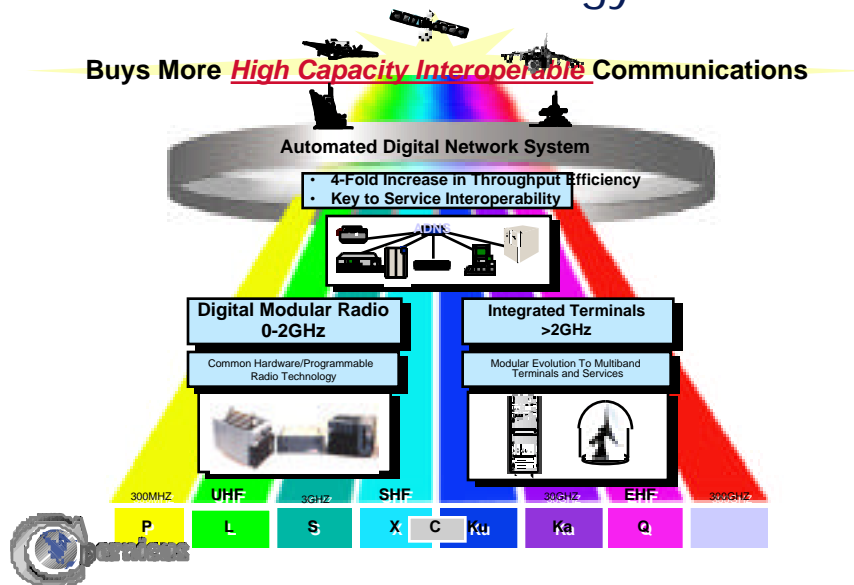
**Common Process  
for  
Commercial *and* DoD**

**One Facility ... One *Single* Process**



# Joint Maritime Communications Systems Program

## JMCOMS Strategy



## VHF Miniaturized Digital Assigned Multiple Access (mini-DAMA)

- Performance specifications
- Commercial software standard
- Commercial quality standard
- Commercial parts support

Saves 50% of acquisition costs and 30% of life-cycle costs, reduces fielding/delivery time from 24 to 15 months



# Open Systems Approach

- Integrated technical and business strategy that defines key interfaces for a system
- Interfaces defined by specifications and standards adopted by recognized industry standards bodies
- De facto specifications and standards also acceptable if they facilitate utilization of multiple suppliers



## Open Systems Approach (con't)

- Creates system design flexibility that enables commercial products to meet DoD weapon system requirements
- Lowers system life-cycle cost by allowing weapon system upgrades through incremental insertion of commercial technology



# New Attack Submarine

Command, Control, Communications and Intelligence System



## Open Systems Architecture

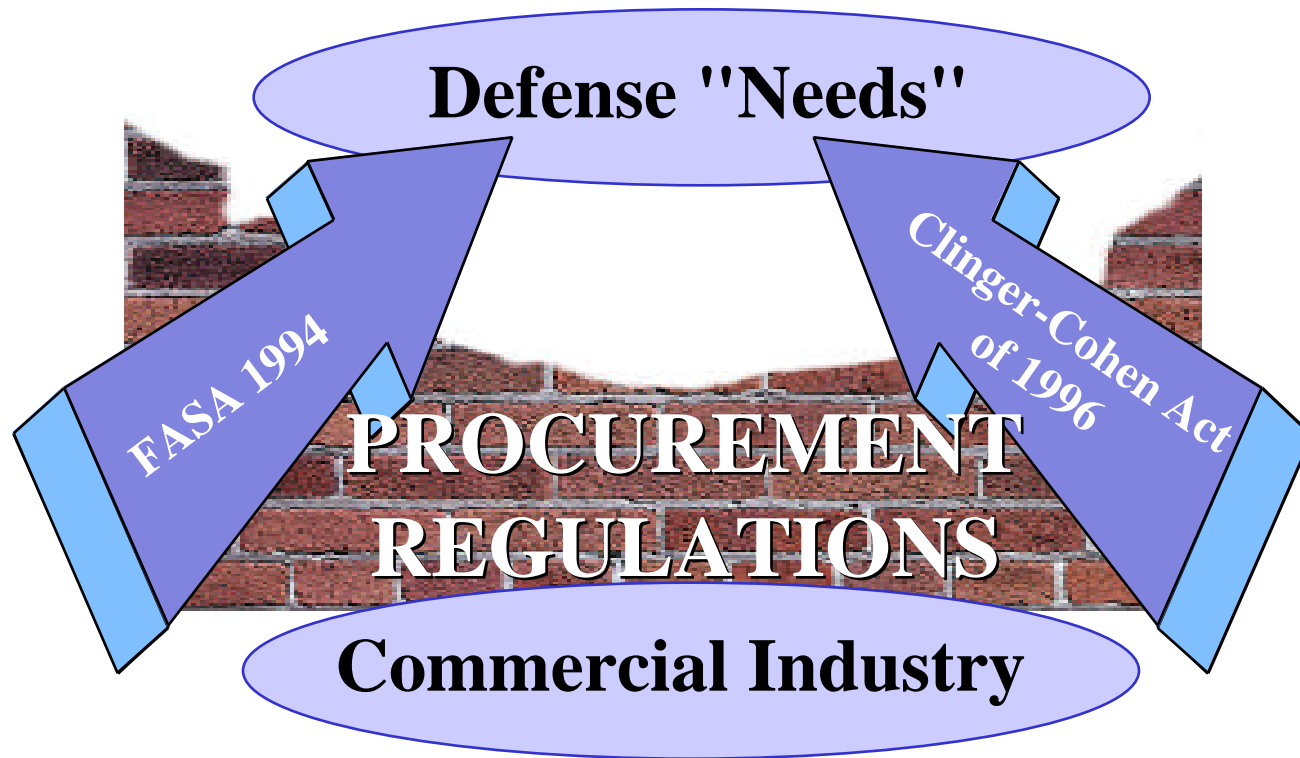
- Developed through an IPT with industry, government laboratories and universities
- Enables extensive use of commercial-off-the-shelf hardware and software
- Facilitates commercial technology refreshment during 30 year system life cycle

50% of the cost of previous systems  
(in 75% of the space with 50% improved performance)





# Acquisition Reform







## Federal Acquisition Streamlining Act (FASA) - 1994

- Broadens the definition of "commercial items"
- Exempts commercial item procurement from:
  - Submission of cost or pricing data
  - Statutory reporting and record keeping
  - Government-peculiar contract clauses
- Preserves commercial manufacturers' intellectual property right



## Clinger-Cohen Act - 1996

- Exempts commercial item procurement from:
  - Application of government cost accounting standards
  - Certain statutory certification requirements
- Broadens the definition of "commercial services"



# H-3 Helicopter

## In-Flight Blade Inspection System



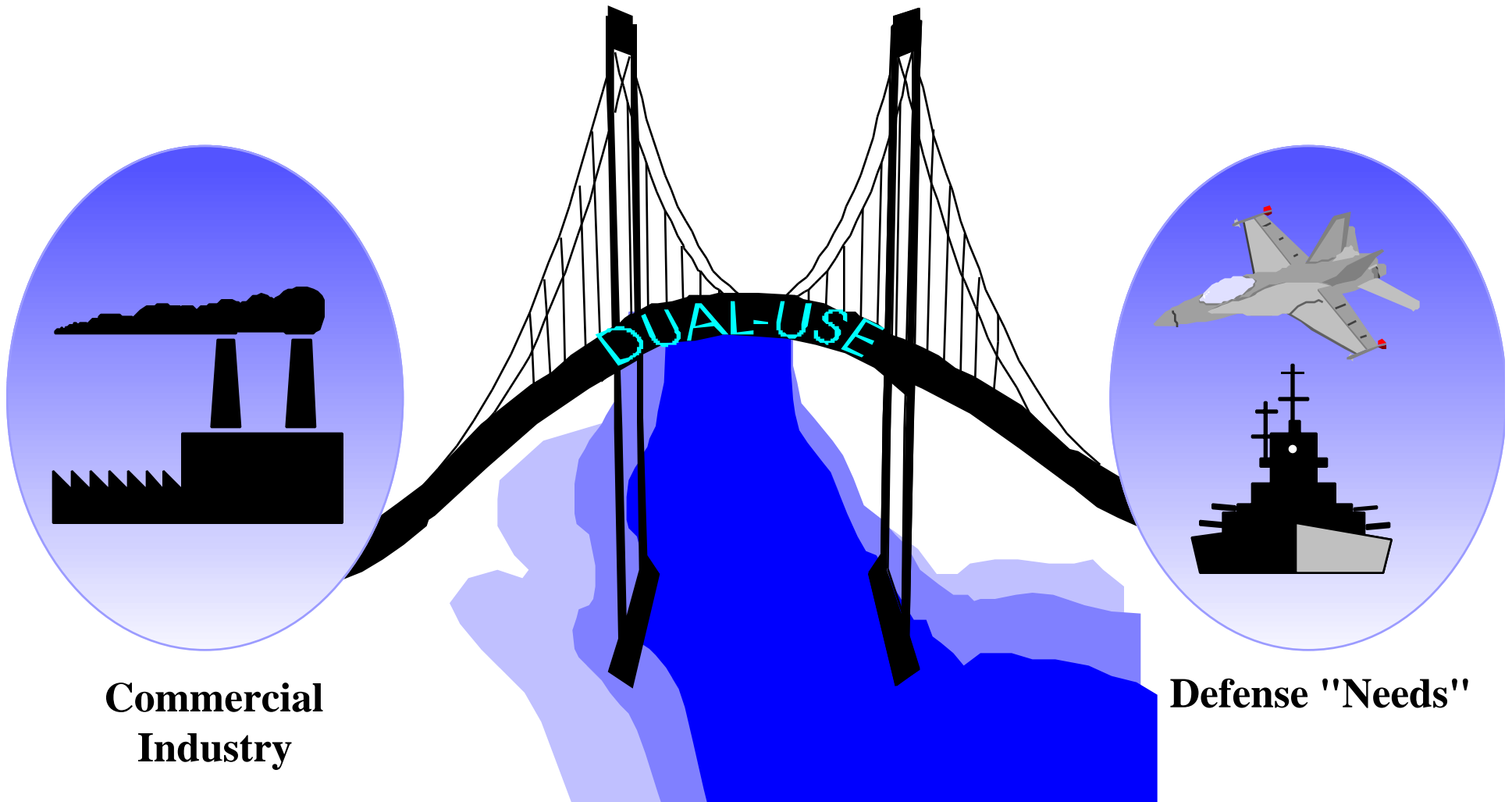
### **FAR Part 12 Commercial Contracting Procedures**

- Price established from commercial price list
- No certified cost or pricing data
- Company data rights fully protected
- No cost accounting standards

Contract processing time reduced from  
4-6 months to less than 1 month



# Defense Acquisition



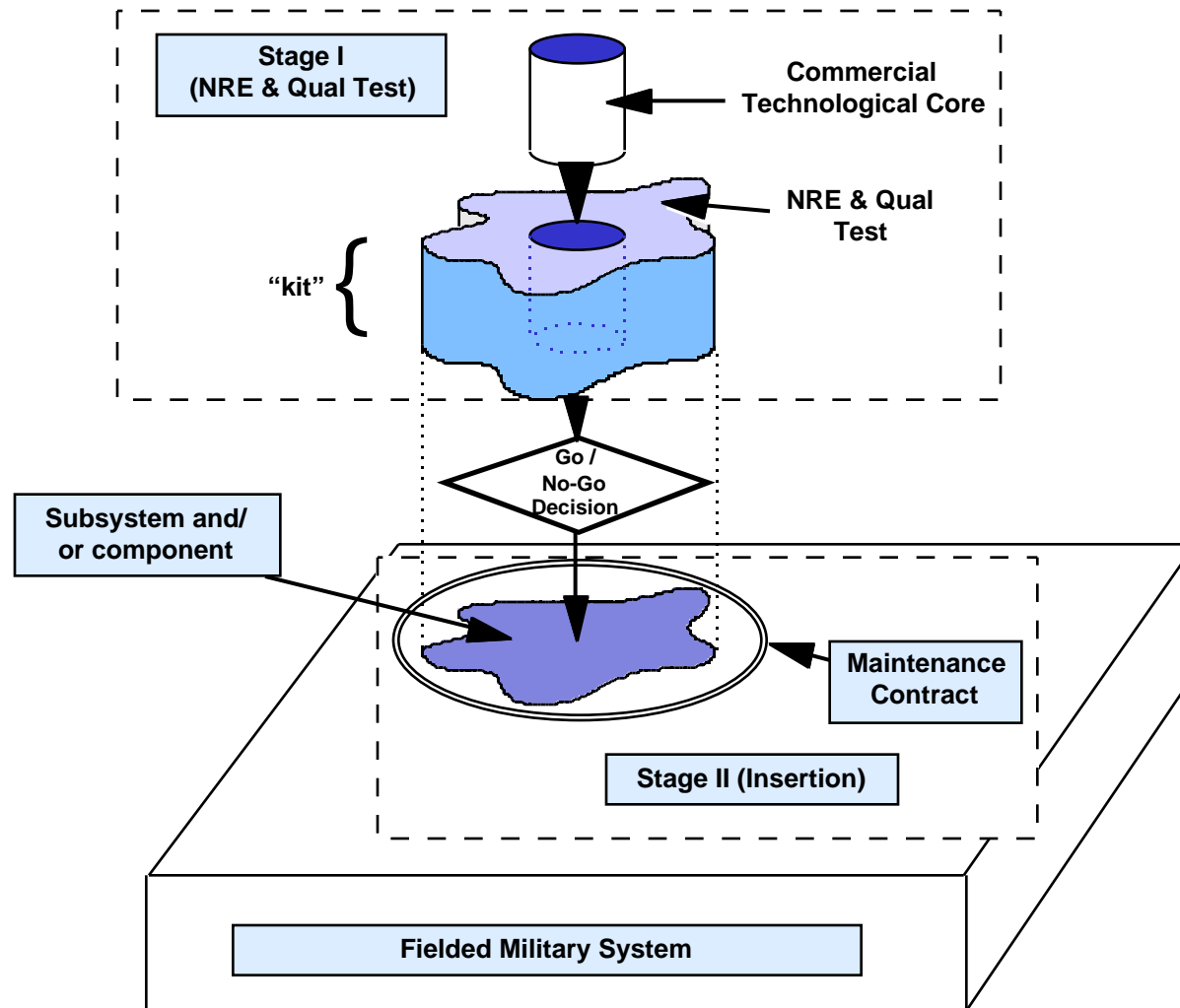


## Dual-Use Application Program

- Congress appropriated \$100M in fiscal year 1997 for the Commercial Operations and Support Savings Initiative (COSSI)
- COSSI goal is to reduce operation and support costs by inserting commercial products and processes into fielded military systems



# COSSI





# COSSI

- Broad Agency Announcement (BAA) widely available to industry via World Wide Web
- Selection criteria included in BAA
  - Operations and support savings
  - Commercial technological leverage
  - Equivalent system performance
  - Technical and management approach
  - Military customer commitment
  - Non-Federal cost share



## COSSI

- 31 industry proposals received for DoN systems.
- 14 proposals selected to receive funding totaling \$43M.

Two thirds of funded proposals from new commercial industry suppliers





# Lithium Ion Polymer Battery

Alliant TechSystems/Valence Technology

**Activity:** Replace Zinc-Silver oxide batteries in 3 Navy underwater vehicles (the MK-30 target, MK-8 Seal Delivery Vehicle, and the Advanced Seal Delivery System) with commercial Lithium Ion Polymer batteries.

**O&S Benefit:** Increased operational life and decreased maintenance.



Govt Share of Stage I:	3,450K	Govt Cost Stage II:	16,800K	Est Total Savings:	64,220K
Proposer Share of Stage I:	2,933K				



## Summary

- Commercial specifications and standards and open system interface standards have enabled commercial solutions for weapon system requirements
- Legislative reforms have facilitated the use of commercial practices in DoN contracting
- Dual-use application program has served as a catalyst for leveraging commercial products and processes

*Navy Acquisition Reform...*

**[www.acq-ref.navy.mil](http://www.acq-ref.navy.mil)**



*...Charting a New Course*



## DoN Acquisition Reform Vision

**ACQUISITION REFORM IS A PROGRAM TO ACHIEVE  
DoD's MILITARY SUPERIORITY OBJECTIVE AT  
REDUCED PRICE WITH INCREASED  
RESPONSIVENESS TO CUSTOMERS.**

*Key elements of the strategy are to increase access to the commercial industrial base, encourage innovation, foster managed risk, promote empowerment and establish cross-functional teams using world-class commercial practices.*



## Other Transactions Agreement (OTA)

- OTA authority provided to the military services in the fiscal year 1997 Defense Authorization Act
- Used in lieu of contracts when purchasing prototypes directly related to weapon systems
- Not subject to the Federal Acquisition Regulations



## What's Next?

- Lean aircraft initiative —►Lean ship initiative
- Standard Procurement System
- Integrated data environment
- Acquisition Center of Excellence

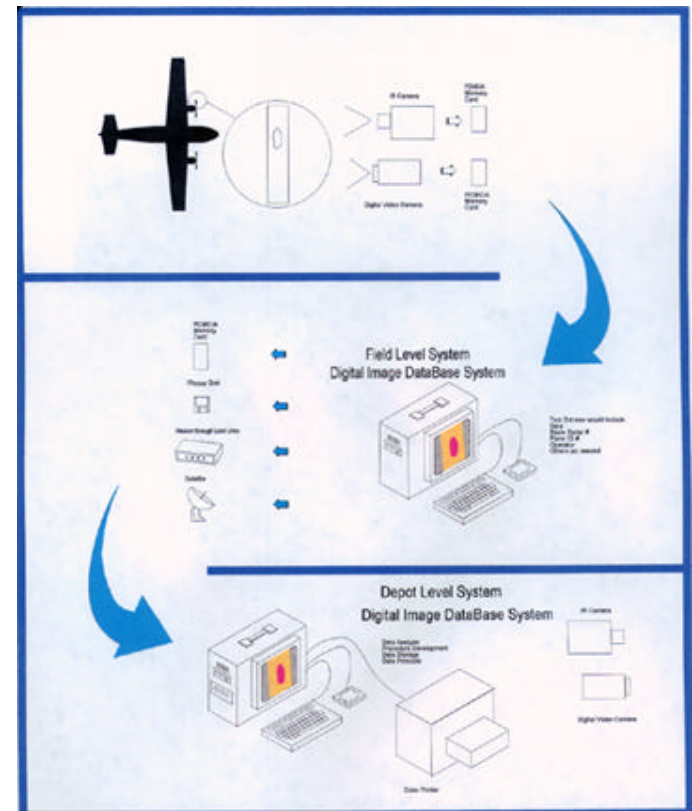


# E2C/C2A Inspection Kit

NEWCO, Inc.

**Activity:** The development, testing and fielding of a COTS Blade Inspection Kit (BIK), using infrared and digital imagery technology, for assessing the integrity of E-2C/C-2A propellers via a routine maintenance schedule.

**O&S Benefit:** Savings obtained by avoiding expensive manual testing techniques and through a more accurate inspection process.



**Govt Share of Stage I: 200K**

**Govt Cost Stage II: 1,197K**

**Est Total Savings: 5,251K**

**Proposer Share of Stage I: 67K**

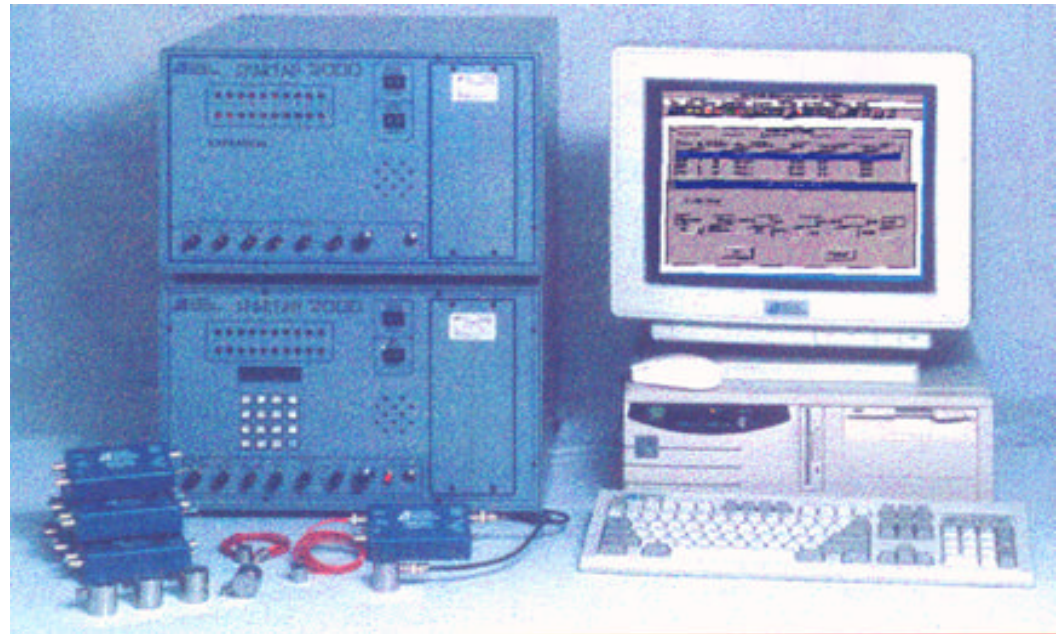




## Acoustic Emission and Ultrasound Testing for Periodic Inspection of Pneumatic Pressure Vessels *Physical Acoustics Corp.*

**Activity:** This project will replace the current methods for recertifying gas flask/containers on-board Navy ships with the commercially standard Acoustics Emission and Ultrasonic Testing. This allows testing in place and saves the very high cost of removal for testing.

**O&S Benefit:** Decreases maintenance and the overall cost of required testing.



<b>Govt Share of Stage I:</b>	<b>294K</b>	<b>Govt Cost Stage II:</b>	<b>480K</b>	<b>Est Total Savings:</b>	<b>40,467K</b>
<b>Proposer Share of Stage I:</b>	<b>294K</b>				